Boise State University

Independent Auditor's Report

and Financial Statements

June 30, 2007 and 2006

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BOISE STATE UNIVERSITY

INDEPENDENT AUDITOR'S REPORT

Idaho State Board of Education
Boise State University
Boise, Idaho

We have audited the accompanying financial statements of Boise State University (University) as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of Boise State University's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Boise State University's discretely presented component units as described in Note 13. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Boise State University and its discretely presented component units as of June 30, 2007 and 2006, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However we did not audit the information and express no opinion on it.

Moss Adams LLP

Eugene, Oregon
November 15, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Management's Discussion and Analysis ("MD&A") presents an overview of the financial performance of Boise State University (the "University") based on currently known facts, decisions and conditions and is designed to assist readers in understanding the accompanying financial statements. The MD&A discusses financial performance during the current year in comparison to prior years with emphasis on the current year.

Overview of the Financial Statements and Financial Analysis

The financial statements for fiscal years ended June 30, 2007 and June 30, 2006 are prepared in accordance with Governmental Accounting Standards Board ("GASB") principles. There are three financial statements presented: the statement of net assets; the statement of revenues, expenses, and changes in net assets; and the statement of cash flows.

The University discloses, as a component unit, any significant organizations that raise and hold economic resources for the direct benefit of the University. Organizations that are legally separate, tax-exempt entities that satisfy the criteria of GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units, an amendment of GASB Statement No. 14"* should be discretely presented as component units. The Boise State University Foundation, Inc. and the Bronco Athletic Association, Inc. are considered component units of the University.

Statement of Net Assets

The statement of net assets presents the assets, liabilities and net assets of the University as of the current fiscal year-end in comparative format with the prior fiscal year-end. The purpose of the statement of net assets is to present to the readers of the financial statements a point-in-time fiscal snapshot of the University. The statement of net assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent) and net assets (assets minus liabilities). The difference between the current and noncurrent classification is discussed in the footnotes to the financial statements.

From the data presented, readers of the statement of net assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes vendors, investors and lending institutions. Finally, the statement of net assets provides a picture of the net assets, (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into four major categories. The first category, invested in capital assets, net of related debt, provides the University's equity in capital assets. The second net asset category is restricted, nonexpendable net assets. Restricted, nonexpendable net assets are those that are required to be retained in perpetuity. The next net asset category is restricted, expendable net assets. Restricted, expendable net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the University for any lawful purpose of the institution.

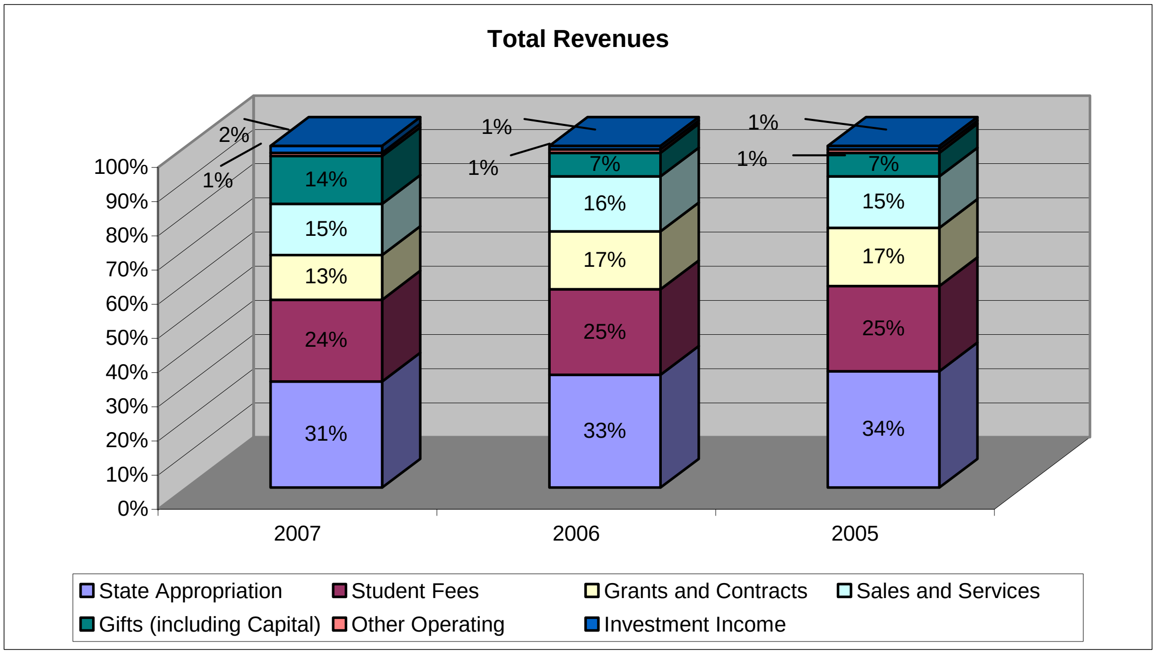
Summary Statements of Net Assets As of June 30 (Dollars in Thousands)	2007	2006	2005
ASSETS:			
Current assets	$ 94,485	$ 68,271	$ 60,760
Capital assets, net	304,028	260,602	241,693
Other assets	121,452	60,245	75,444
Total assets	$ 519,965	$ 389,118	$ 377,897
LIABILITIES:			
Current liabilities	$ 33,041	$ 29,467	$ 30,004
Noncurrent liabilities	222,737	137,556	141,153
Total liabilities	255,778	167,023	171,157
NET ASSETS:			
Invested in capital assets, net of related debt	160,800	142,498	134,909
Restricted, expendable	20,246	18,347	16,280
Restricted, nonexpendable	-	-	-
Unrestricted	83,141	61,250	55,551
Total net assets	264,187	222,095	206,740
Total liabilities and net assets	$ 519,965	$ 389,118	$ 377,897

The University's total assets increased during fiscal year 2007 by $130,846,574 from $389,118,274 in 2006 to $519,964,848 in 2007. The University's total liabilities also increased during fiscal year 2007 by $88,754,831 from $167,023,037 in 2006 to $255,777,868 in 2007. These changes reflect the University's continued emphasis on enhancing facilities infrastructure. As detailed in Capital Asset and Debt Administration on page seven, the University issued debt and continued or started a variety of construction projects during fiscal year 2007.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in total net assets, as presented on the statement of net assets, are based on the activity presented in the statement of revenues, expenses, and changes in net assets. The purpose of the statement is to present the revenues (operating and nonoperating) received by the University, and its component units, and the expenses (operating and nonoperating) paid by the institution and its component units and any other revenues, expenses, gains and losses received or spent by the University and its component units. The University will always reflect a net operating loss because state general fund appropriations are not reported as operating revenues.

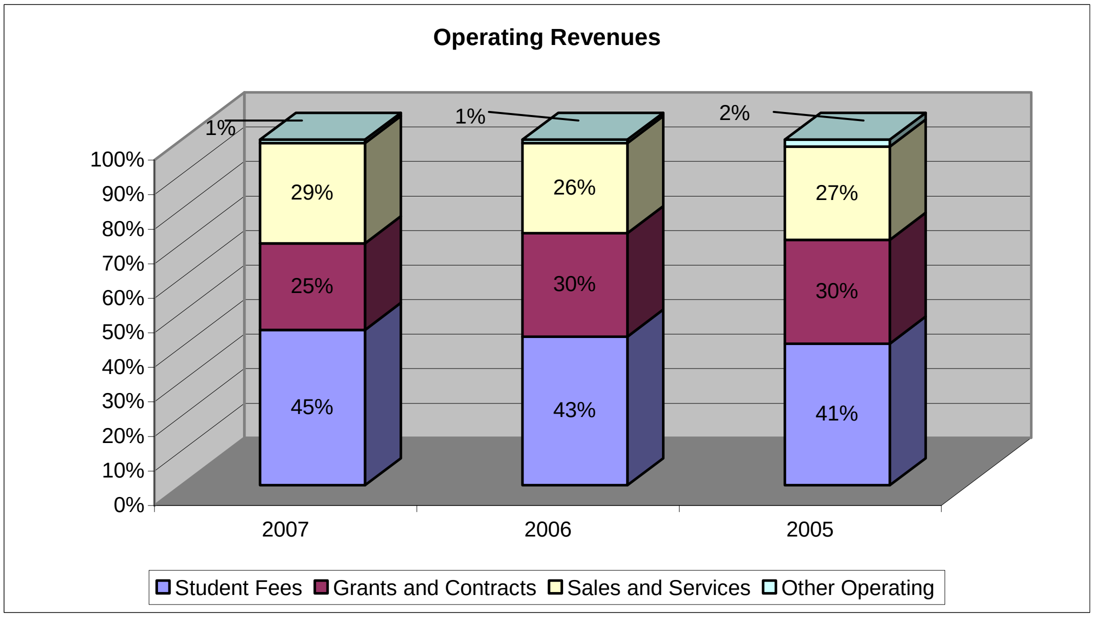
Generally speaking, operating revenues are generated by providing services to the various customers, students and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the services provided in return for operating revenues and to carry out the functions of the University. Nonoperating revenues are revenues received for which services are not provided. For example, state general funds are nonoperating because the Idaho State Legislative process provides them to the University without the Legislature directly receiving services for those revenues. GASB Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*" and GASB Statement No. 35, "*Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*" defines those revenues to be nonoperating.

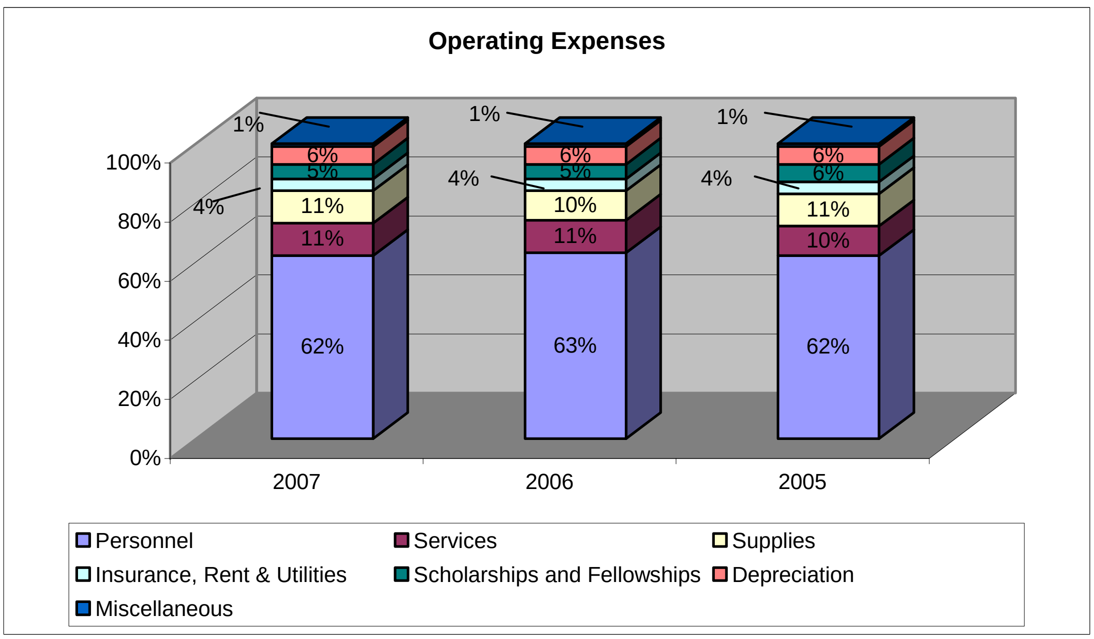


Summary Statements of Revenues, Expenses, and Changes in Net Assets
Fiscal Years Ended June 30
(Dollars in Thousands)

	2007	2006	2005
Operating revenues	$ 147,956	$ 139,574	$ 129,136
Operating expenses	230,575	217,897	208,578
Operating loss	(82,619)	(78,323)	(79,442)
Non operating revenues and expenses	100,504	87,815	79,644
Income before other revenues, expenses, gains or losses	17,885	9,492	202
Other Revenues and Expenses	24,207	5,863	6,782
Increase in net assets	42,092	15,355	6,984
Net assets—Beginning of year	222,095	206,740	199,756
Net assets—End of year	$ 264,187	$ 222,095	$ 206,740

The statement of revenues, expenses, and changes in net assets reflects an overall increase in net assets during fiscal year 2007. Operating revenues increased by $8,382,529 from $139,573,651 in 2006 to $147,956,180 in 2007. This increase is caused, in part, by increases in student fees. Tuition and fee rates increased by 7.3% and enrollment increased by 1.1%. Ticket sales (for both athletic and non-athletic events) also factored into the increase in operating revenues. In addition, nonoperating and other revenues increased. Gifts related to the expansion of athletic facilities and the gift of two engineering buildings from the Boise State University Foundation contributed to these increases. Operating expenses increased by $12,678,972 from $217,896,554 in 2006 to $230,575,526 in 2007. Approximately $7.2 million of this increase relates to personnel costs, as the University continues its focus on salary equity initiatives. Expenditures on computer hardware, services, and supplies also increased in 2007, as the University worked to enhance its information technology infrastructure to accommodate continued growth.





Statement of Cash Flows

The final statement presented by the University is the statement of cash flows. The statement of cash flows presents detailed information about the cash activity of the University during the year. The statement of cash flows is not presented for component units. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to operating income or loss reflected on the statement of revenues, expenses, and changes in net assets.

Summary Statements of Cash Flows
Fiscal Years Ended June 30
(Dollars in Thousands)

	2007	2006	2005
Cash provided (used) by:			
Operating activities	$ (62,748)	$ (69,444)	$ (66,630)
Noncapital financing activities	98,248	92,212	84,672
Capital and related financing activities	42,072	(36,713)	(17,926)
Investing activities	(67,273)	11,602	6,132
Net change in cash	10,299	(2,343)	6,248
Cash—Beginning of year	29,649	31,992	25,744
Cash—End of year	$ 39,948	$ 29,649	$ 31,992

Overall, cash increased by $10,299,850 during the year compared to a cash decrease of $2,342,918 last year. Cash provided by capital and related financing activities totaled $42.1 million in fiscal year 2007 compared to cash used by capital and related financing activities of $36.7 in fiscal year 2006. This increase is explained by the net increase in proceeds from notes and bonds payable of $81.7 million in 2007, compared to a net decrease of $4.4 million in 2006. The University received proceeds from issuance of new notes and bonds payable of $130.1 million in 2007, and paid $48.4 million of principal, while in 2006, no proceeds from issuance of new notes and bonds were received, and $4.4 million of principal was paid. Cash used by investing activities in 2007 totaled $67.3 million in 2007 compared to cash provided by investing activities of $11.6 million in 2007. This reflects the placement of cash from 2007 debt issuance into investments to maximize yield while awaiting disbursement for capital projects.

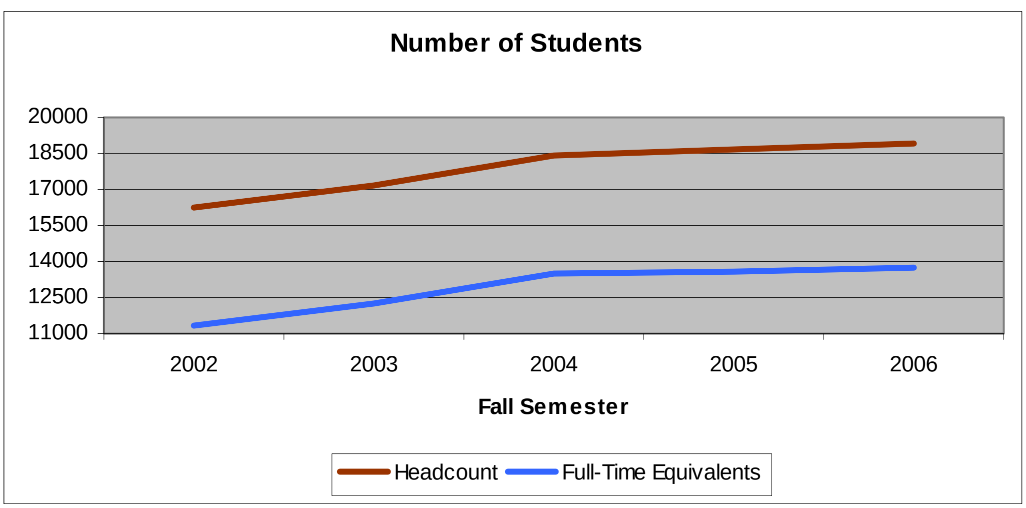
Capital Asset and Debt Administration

The University's capital assets, prior to depreciation, increased by $53.8 million from $396.4 million in 2006 to $450.2 million in 2007. The University continued to build and acquire property and buildings consistent with the Campus Master Plan. Capital asset additions in 2007 included continued construction on the Interactive Learning Center of $9.4 million, $5.5 million expended towards the Bronco Stadium addition, $8.4 million expended on a third parking structure, and $1.7 million expended as the University begins the expansion and renovation of the Student Union Building. Additions also include the donation of two Engineering buildings from the Boise State University Foundation totaling $12.4 million, and the acquisition of $8.2 million in land to facilitate the future construction of a new Bronco track facility. Total notes, bonds, and capital leases increased by $81 million from $139.2 million in 2006 to $220.2 million in 2007. The University issued $96,365,000 of general revenue and refunding bonds in January, 2007, $28,710,000 of general revenue bonds in March, 2007, and refunded approximately $45 million of previously issued bonds during the year. Construction proceeds from the 2007 issuances are earmarked for the Bronco Stadium and Student Union projects, as well as a new Student Health, Wellness, Counseling and Nursing building.

Economic Outlook

The State of Idaho concluded fiscal year 2007 with an approximately $247 million surplus in the general fund. Revenues exceeded projections by $106 million, adding to the planned surplus of $141 million. Due to the strength of the financial performance, higher education in Idaho received, for fiscal year 2008, an 8.4 % increase from fiscal year 2007 levels in appropriated funding. This was distributed across all institutions and is reflected in Boise State University's fiscal year 2008 appropriated budget as an increase of $5,766,000 or 7.6%.

In addition to increased state funding, Boise State University received permission to increase student fees for fiscal year 2008 by 6.2%. This increase represents a 3.9% increase in tuition and 2.3% increase in facility and activity fees.
Boise State University has experienced record-breaking enrollment in 10 of the last 11 years that have put pressure on infrastructure. As a result, increases in funding are channeled to increasing square footage of facilities available and to faculty salaries to meet current student demand. In Fall of 2003, the University began to raise admission standards, which has helped slow growth to a manageable pace. Information available as of the date of the financial statements indicates that enrollment for Fall of 2007 is 2.8% higher than Fall 2006 levels.



STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND JUNE 30, 2006

	2007 University	2006 University	2007 Component Units	2006 Component Units
ASSETS				
CURRENT ASSETS:				
Cash with treasurer	$ 22,601,102	$ 14,916,194	$ -	$ -
Cash and cash equivalents	17,347,284	14,732,342	1,643,182	4,067,469
Student loans receivable	2,357,802	2,085,025	-	-
Accounts receivable and unbilled charges, net	14,319,683	14,563,043	2,404,323	1,995,650
Prepaid expense	578,772	675,950	-	-
Inventories	2,768,504	2,524,489	-	-
Investments	33,368,354	17,689,028	1,600,000	1,700,000
Due from component units	947,023	807,364	-	-
Other current assets	196,150	277,880	672,106	776,482
Total current assets	94,484,674	68,271,315	6,319,611	8,539,601
NONCURRENT ASSETS:				
Restricted cash	-	-	7,615,620	7,499,889
Accounts receivable, net	-	-	3,586,653	3,075,285
Student loans receivable, net	7,937,790	7,906,701	-	-
Investments	103,642,866	43,444,935	85,743,352	68,529,417
Investments held in trust	3,212,534	4,839,307	756,185	782,187
Investment in lease	-	-	3,171,665	3,451,063
Deferred bond financing costs	6,252,595	3,540,666	-	-
Capital assets, net	304,028,470	260,602,009	1,712,488	10,329,940
Other assets	405,919	513,341	755,448	727,677
Total noncurrent assets	425,480,174	320,846,959	103,341,411	94,395,458
TOTAL ASSETS	$ 519,964,848	$ 389,118,274	$ 109,661,022	$ 102,935,059

See notes to financial statements.

STATEMENTS OF NET ASSETS (CONTINUED)
JUNE 30, 2007 AND JUNE 30, 2006

	2007 University	2006 University	2007 Component Units	2006 Component Units
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$ 4,499,888	$ 4,195,990	$ 393,425	$ 828,024
Accrued salaries and benefits payable	6,816,366	5,522,315	-	-
Compensated absences payable	5,054,973	4,783,813	-	-
Interest payable	2,964,274	1,556,329	43,965	48,309
Unearned revenue	7,314,122	6,401,313	1,899,562	1,806,651
Notes and bonds payable	5,355,438	5,100,589	255,000	250,000
Obligations under capital lease	375,494	332,088	-	-
Obligations under capital lease - component unit	255,000	250,000	-	-
Other liabilities	405,573	1,324,548	105,484	62,931
Total current liabilities	33,041,128	29,466,985	2,697,436	2,995,915
NONCURRENT LIABILITIES:				
Unearned revenue	1,576,750	-	1,773,682	1,167,780
Due to state agencies	6,881,944	4,019,214	-	-
Notes and bonds payable	210,402,361	129,123,861	3,360,000	3,615,000
Amounts held in custody for others	-	-	1,467,693	1,031,719
Obligations under capital lease	958,887	1,241,179	-	-
Obligations under capital lease - component unit	2,916,798	3,171,798	-	-
Other liabilities	-	-	847,399	544,188
Total noncurrent liabilities	222,736,740	137,556,052	7,448,774	6,358,687
TOTAL LIABILITIES	255,777,868	167,023,037	10,146,210	9,354,602
NET ASSETS:				
Invested in capital assets, net of related debt	160,800,243	142,498,300	1,536,783	10,329,940
Restricted, expendable	20,246,055	18,346,964	38,455,719	30,500,232
Restricted, nonexpendable	-	-	51,908,188	47,935,302
Unrestricted	83,140,682	61,249,973	7,614,122	4,814,983
TOTAL NET ASSETS	264,186,980	222,095,237	99,514,812	93,580,457
TOTAL LIABILITIES AND NET ASSETS	$ 519,964,848	$ 389,118,274	$ 109,661,022	$ 102,935,059

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	2007 University	2006 University	2007 Component Units	2006 Component Units
OPERATING REVENUES:				
Student fees, pledged for bonds	$ 80,229,894	$ 72,756,952	$ -	$ -
Scholarship allowance	(14,037,130)	(12,856,268)	-	-
Student fees, net	66,192,764	59,900,684		
Federal grants and contracts (including $2,308,184 and $1,542,940 of revenues pledged for bonds in 2007 and 2006, respectively)	26,938,958	27,570,850	-	-
State and local grants and contracts (including $359,581 and $697,630 of revenues pledged for bonds in 2007 and 2006, respectively)	7,910,225	9,461,769	-	-
Private grants and contracts (including $267,579 and $322,860 of revenues pledged for bonds in 2007 and 2006, respectively)	2,728,830	4,099,202	-	-
Sales and services of educational activities, pledged for bonds	1,627,931	1,240,029	-	-
Sales and services of auxiliary enterprises, pledged for bonds	40,921,047	35,322,445	-	-
Gifts	-	-	17,233,400	16,161,645
Other, pledged for bonds	1,636,425	1,978,672	-	-
Other	-	-	1,386,192	695,080
Total operating revenues	147,956,180	139,573,651	18,619,592	16,856,725
OPERATING EXPENSES:				
Personnel cost	143,123,209	135,947,140	2,126,749	1,280,199
Services	26,185,475	24,845,935	633,207	342,406
Supplies	25,928,075	21,930,940	361,814	261,998
Insurance, utilities and rent	8,140,650	8,336,159	47,815	35,273
Scholarships and fellowships	10,564,205	10,803,144	-	-
Depreciation	13,703,934	13,173,204	300,747	300,309
Miscellaneous	2,929,978	2,860,032	693,988	262,727
Total operating expenses	230,575,526	217,896,554	4,164,320	2,482,912
OPERATING (LOSS) INCOME	(82,619,346)	(78,322,903)	14,455,272	14,373,813

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	2007 University	2006 University	2007 Component Units	2006 Component Units
NONOPERATING REVENUES (EXPENSES):				
State appropriations	$ 86,374,683	$ 80,115,513	$ 1,003,524	$ 589,713
Gifts (includes gifts from component units equal to $9,609,477 and $7,379,455 in 2007 and 2006, respectively)	14,859,072	12,645,127	-	-
Payments to Boise State University	-	-	(22,489,622)	(11,329,872)
Net investment income (including $3,589,944 and $2,344,585 of revenues pledged by the University for bonds in 2007 and 2006, respectively)	5,393,584	2,930,379	3,475,332	2,822,105
Change in fair value of investments (including $1,073,448 and $194,707 of revenues pledged by the University for bonds in 2007 and 2006, respectively)	1,483,371	197,760	8,817,826	3,268,666
Interest (net of capitalized interest by the University of $179,148 and $51,839 in 2007 and 2006, respectively)	(6,852,509)	(6,675,076)	(176,204)	(210,097)
Gain (loss) on retirement of capital assets	(561,482)	(1,214,263)	771,620	2,551,996
Other	(192,171)	(184,386)	76,607	76,607
Net nonoperating revenues (expenses)	100,504,548	87,815,054	(8,520,917)	(2,230,882)
INCOME BEFORE OTHER REVENUES AND EXPENSES	17,885,202	9,492,151	5,934,355	12,142,931
OTHER REVENUES AND EXPENSES:				
Capital appropriations	1,293,000	-	-	-
Capital grants and gifts (includes gifts from component units equal to $17,014,530 and $4,374,705 for 2007 and 2006, respectively)	22,913,541	5,863,016	-	-
Total other revenue	24,206,541	5,863,016	-	-
INCREASE IN NET ASSETS	42,091,743	15,355,167	5,934,355	12,142,931
NET ASSETS—Beginning of year	222,095,237	206,740,070	93,580,457	81,437,526
NET ASSETS—End of year	$ 264,186,980	$ 222,095,237	$ 99,514,812	$ 93,580,457

See notes to financial statements.

STATEMENTS OF CASH FLOWS
FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student fees	$ 66,021,475	$ 60,438,904
Grants and contracts	36,837,558	39,179,546
Sales and services of educational activities	2,008,961	813,669
Sales and services of auxiliary enterprises	40,499,243	36,038,133
Other operating receipts	1,608,325	1,918,296
Payments to employees	(140,564,627)	(139,510,327)
Payments for services	(25,503,946)	(25,209,042)
Payments to suppliers	(21,908,142)	(22,280,657)
Payments for insurance, utilities and rent	(7,999,031)	(8,220,672)
Payments for scholarships and fellowships	(10,591,984)	(10,817,934)
Loans issued to students	(2,828,955)	(2,222,886)
Collections of loans to students	2,387,111	2,072,778
Other payments	(2,713,977)	(1,643,822)
Net cash used in operating activities	(62,747,989)	(69,444,014)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	86,293,673	80,115,513
Gifts	11,954,142	12,096,823
Direct lending receipts	46,129,523	45,262,589
Direct lending payments	(46,129,523)	(45,262,589)
Net cash provided by noncapital financing activities	98,247,815	92,212,336
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants and gifts	23,956,541	5,628,016
Purchases of capital assets	(58,445,825)	(31,187,579)
Proceeds from notes and bonds payable	86,851,332	
Principal paid on notes and bonds payable and capital leases	(5,104,263)	(4,394,580)
Interest paid on notes and bonds payable and capital leases	(6,403,270)	(6,777,566)
Payments for bond issuance costs	(2,398,000)	(3,100)
Other	3,616,675	21,950
Net cash used in capital and related financing activities	42,073,190	(36,712,859)

See notes to financial statements.

STATEMENTS OF CASH FLOWS (CONTINUED)
FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	2007	2006
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	$ (326,743,740)	$ (207,772,185)
Proceeds from sales and maturities of investments	253,054,201	216,118,135
Investment income	6,416,373	3,255,669
Net cash provided by investing activities	(67,273,166)	11,601,619
NET CHANGE IN CASH AND CASH EQUIVALENTS, AND CASH WITH TREASURER	10,299,850	(2,342,918)
CASH AND CASH EQUIVALENTS, AND CASH WITH TREASURER—Beginning of year	29,648,536	31,991,454
CASH AND CASH EQUIVALENTS, AND CASH WITH TREASURER—End of year	$ 39,948,386	$ 29,648,536
RECONCILIATION OF NET OPERATING REVENUES (EXPENSES) TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES:		
Operating loss	$ (82,619,346)	$ (78,322,903)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	13,757,705	13,231,360
Changes in assets and liabilities:		
Accounts receivable and unbilled charges, net	747,451	(3,013,852)
Student loans receivable, net	(303,865)	(49,353)
Inventories	(244,015)	(412,965)
Other assets	150,829	426,586
Accounts payable and accrued liabilities	2,830,111	(666,451)
Accrued salaries and benefits payable	1,091,395	(3,430,294)
Compensated absences payable	271,161	438,988
Unearned revenue	2,489,560	1,341,257
Other liabilities	(918,975)	1,013,613
Net cash used in operating activities	$ (62,747,989)	$ (69,444,014)
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Defeasance of debt	$ 43,340,857	
Donated assets	$ 16,131,898	$ 605,807

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity — The University is part of the public system of higher education in the State of Idaho. The system is considered part of the State of Idaho reporting entity, and is directed by the State Board of Education ("SBOE"), a body that is appointed by the Governor and confirmed by the legislature. The University is part of the primary government of the State of Idaho and is included in the State's Comprehensive Annual Financial Report ("CAFR") within the Business-Type Activities/Enterprise Funds. The University's financial statements are prepared in accordance with pronouncements of the Governmental Accounting Standards Board ("GASB") and in accordance with Generally Accepted Accounting Principles ("GAAP").

The Foundation was established for the purpose of soliciting donations and to hold and manage invested donations for the exclusive benefit of the University. The Association is a fund raising organization that provides financial assistance and services to the University intercollegiate athletic department. Financial statements of the component units may be obtained from the Vice President for Finance and Administration at the University. Component unit's financial statements are prepared in accordance with GASB pronouncements and in accordance with GAAP.

Basis of Accounting — For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The University has the option to apply all Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The University has elected to not apply FASB pronouncements issued after the applicable date.

Cash with Treasurer — Balances classified as cash with treasurer are amounts that have been remitted to the State of Idaho as a result of the student fee collection process and, once remitted, these balances are under the control of the State Treasurer. The University is not entitled to any interest earnings on these balances.

Cash and Cash Equivalents — The University considers all liquid investments with a remaining maturity of three months or less at the date of acquisition to be cash equivalents. Cash balances that are restricted and not expected to be expended within the subsequent fiscal year are classified as noncurrent assets.

Inventories — Inventories, consisting primarily of bookstore inventories, are valued at the lower of first-in, first-out ("FIFO") cost or market.

Investments — The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains or losses on the carrying value of investments are reported as a component of change in fair value of investments in the statement of revenues, expenses, and changes in net assets. Investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets as well as investment amounts with maturities that exceed one year, are classified as noncurrent assets in the statement of net assets.

The University deposits funds for investment with the Idaho State Treasury. Funds deposited with the State Treasury can be subject to securities lending transactions initiated by the State Treasury.

Capital Assets, net — Capital assets are stated at cost when purchased or constructed, or if acquired by gift, at the estimated fair value at the date of gift. The University's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings and land improvements that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 40 to 50 years for buildings, 20 to 25 years for land improvements, 10 years for library books, and 5 to 13 years for equipment.

The University has certain collections that it does not capitalize, including the Nell Shipman Film collection and Albertson's Library Special Collections. These collections adhere to the University's policy to (a) maintain them for public exhibition, education or research; (b) protect, keep unencumbered, care for, and preserve them; and (c) require proceeds from their sale to be used to acquire other collection items. Generally accepted accounting principles permit collections maintained in this manner to be charged to operations at the time purchased rather than capitalized.

Noncurrent Liabilities — Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year, other liabilities that will not be paid within the next fiscal year and other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

Net Assets — The University's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt — This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted, Expendable — Restricted, expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

Restricted, Nonexpendable — Restricted, nonexpendable net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted — Unrestricted net assets represent resources derived from student fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions related to the educational and general operations of the University, and may be used to meet current expenses for any lawful purpose, and in accordance with SBOE policy.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to first apply the expense towards restricted resources, and then towards unrestricted resources.

Income and Unrelated Business Income Taxes — The University, as a political subdivision of the State of Idaho, is excluded from federal income taxes under Section 115(1) of the Internal Revenue Code, as amended. The University is liable for tax on its unrelated business income. Defined by the Internal Revenue Code, unrelated business income is income from a trade or business, regularly carried on, that is not substantially related to the performance by the organization of its exempt purpose or function. The University did not incur unrelated business income tax expense in the fiscal years ended June 30, 2007 or 2006.

Classification of Revenues and Expenses — The University classifies its revenues and expenses as operating or nonoperating according to the following criteria. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the University's principal ongoing operations. Operating revenues include activities that have characteristics of exchange transactions, such as (1) student fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, (3) most federal, state and local grants and contracts that are essentially contracts for services, and (4) interest earned on institutional student loans.

Nonoperating revenues and expenses include activities that have characteristics of nonexchange transactions, such as transactions related to capital financing activities or investing activities as defined by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.* Revenues from state general appropriations are classified as nonoperating as defined by GASB Statement No. 34.

Scholarship Discounts and Allowances **—** Student fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or other third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy student fees and related charges, the University has recorded a scholarship discount or allowance.

Use of Accounting Estimates — The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements, and revenues and expenses during the year. Actual results could differ from those estimates.

Reclassifications — Certain prior year balances have been reclassified to conform to the current year presentation.

New Accounting Standards — In June 2004, the GASB issued Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"*. This Statement generally requires that the University account for and report the cost and obligations related to postemployment healthcare and other nonpension benefits ("OPEB") and include disclosures regarding its OPEB plans. OPEB costs are likely to be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. The provisions of GASB Statement No. 45 may be applied prospectively and do not require the University to fund its OPEB plans. The University may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded liability is required to be amortized over future periods. The requirements of this Statement for the University are effective for the fiscal year ending June 30, 2008. The University has not completed the process of evaluating the impact that will result from adopting this Statement and is therefore unable to disclose the impact that adopting the Statement will have on its financial statements.

In November 2006, the GASB issued Statement No. 49, "*Accounting and Financial Reporting for Pollution Remediation Obligations"*. This Statement addresses accounting and financial reporting standards for pollution (including contamination). remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The University has not completed the process of evaluating the impact that will result from adopting this Statement and is therefore unable to disclose the impact that adopting the Statement will have on its GASB No. 49 financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2009.

In May 2007, the GASB issued Statement No. 50, "*Pension Disclosures"*, an amendment of GASB Statements No. 25 and No. 27. This Statement more closely aligns financial reporting requirements for pensions with those for other post-employment benefits and provides enhanced disclosures in the notes to financial statements and required supplementary information. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2008.

In June 2007, the GASB issued Statement No. 51, "*Accounting and Financial Reporting for Intangible Assets"*. This Statement defines an intangible asset's required characteristics, and generally requires that they be treated as capital assets. Management has not yet determined the impact this standard will have on the State's financial statements. The requirements of this Statement are effective for the fiscal year ending June 30, 2010.

2. CASH WITH TREASURER, CASH AND CASH EQUIVALENTS, OTHER DEPOSITS, AND INVESTMENTS

Deposits — Cash with treasurer is under the control of the State Treasurer and is carried at cost. Cash and cash equivalents are deposited with US Bank and are carried at cost. Custodial risk is the risk that in the event of a financial institution failure, the State's deposits may not be returned. The State's policy for managing custodial risk can be found in the Idaho Code, Section 67-2739. Management believes the University is in compliance with the policy.

Cash that is restricted in purpose from an external source and is not expected to be utilized within the next fiscal year is reported on the financial statements as restricted cash and as a noncurrent asset.

Basis of Custodial Credit Risk as of June 30	2007	2006
Insured	$ 100,000	$ 100,000
Uncollateralized	143,516	134,813
Collateralized by Securities held by the pledging financial institution	17,103,768	14,497,529
Total	$ 17,347,284	$ 14,732,342

Investments — Idaho Code, Section 67-1210, limits credit risk by restricting the investment activities of the Local Government Investment Pool ("LGIP") and state agencies. Idaho Code gives the SBOE the authority to establish investment policies for the Colleges and Universities. Section V, Subsection D of the Idaho SBOE Governing Policies and Procedures authorizes investments among some, but not all, of the investment types authorized for the State Treasurer.

Objectives of the University's investment policy are, in order of priority, safety of principal, ensuring necessary liquidity and achieving a maximum return. Covenants of certain bond resolutions also restrict investment of related funds to U.S. Government or government guaranteed securities.

The University invests in external investment pools managed by the State of Idaho. The pools are managed by the State Treasurer's Office in compliance with Idaho Code, Sections 67-1201 through 67-1222. The University had $68,833,593 and $22,484,269 with market value invested in these external pools as of June 30, 2007 and 2006, respectively.

Investments Held-in-Trust represent government securities held in the University's name. The entire amount of these investments is restricted by bond indentures or other contractual agreements.

Credit Risk of Debt Securities — The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard and Poor's, and Fitch's.

(Ratings, as of June 30, are presented below using the Moody's scale). The State of Idaho external investment pools were assigned a rating of AAA by Standard and Poor's on May 23, 2007. This AAA rating signifies that the portfolio holdings provide extremely strong protection against losses from credit defaults

2007 (Dollars in Thousands)							
Investment Type	**Fair Value**	**AAA**	**AA1**	**AA2**	**AA3**	**A1**	**A2**
Cash in Investment Balances	$ 663	$ 663	-	-	-	-	-
External Investment Pools	68,993	68,993	-	-	-	-	-
Investments Held in Trust	2,738	2,738	-	-	-	-	-
Commercial Paper	1,100	596	106	49	149	100	100
Mortgage/Asset Backed Securities	46,843		-	-	46,843	-	-
US Treasury Notes	6,116	6,116	-	-	-	-	-
Federal Farm Credit Bank	1,403	1,403	-	-	-	-	-
Federal Home Loan Bank	1,438	1,438	-	-	-	-	-
Federal Home Loan Mortg Corp	5,525	5,525	-	-	-	-	-
Federal National Mortg Assoc	5,405	5,405	-	-	-	-	-
Total Investments	$ 140,224	$ 92,877	$ 106	$ 49	$ 46,992	$ 100	$ 100

2006 (Dollars in Thousands)					
Investment Type	**Fair Value**	**AAA**	**Aaa**	**Aa1**	**Aa3**
Cash in Investment Balances	$ 769	$ 769	$ -	$ -	$ -
External Investment Pools	22,440	22,440	-	-	-
Investments Held in Trust	4,365	4,365	-	-	-
Commercial Paper	823	475	46	107	195
US Treasury Notes	4,337	4,337	-	-	-
Federal Farm Credit Bank	3,862	3,862	-	-	-
Federal Home Loan Bank	8,651	8,651	-	-	-
Federal Home Loan Mortg Corp	1,955	1,955	-	-	-
Federal National Mortg Assoc	18,771	18,771	-	-	-
Total Investments	$ 65,973	$ 65,625	$ 46	$ 107	$ 195

Interest Rate Risk — Investments in debt securities that are fixed for longer periods are likely to experience greater variability in their fair values due to future changes in interest rates. Less than 1% of total investments are invested in securities with periods longer than 5 years.

June 30, 2007 (Dollars in Thousands)				
		Investment Maturities In Years		
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**
Cash in Investment Balances	$ 663	$ 663	$ -	$ -
External Investment Pool	68,993	68,993	-	-
Investments Held in Trust	2,738	2,738	-	-
Commercial Paper	1,100	-	479	621
Mortgage/Asset Backed Securities	46,843	-	46,843	-
US Treasury Notes	6,116	5,355	685	76
Federal Farm Credit Bank	1,403	1,403	-	-
Federal Home Loan Bank	1,438	974	464	-
Federal Home Loan Mortg Corp	5,525	5,351	-	174
Federal National Mortg Assoc	5,405	3,871	1,449	85
Total Rated Debt Securities	$ 140,224	$ 89,348	$ 49,920	$ 956

June 30, 2006 (Dollars in Thousands)				
		Investment Maturities In Years		
Investment Type	**Fair Value**	**Less Than 1**	**1 to 5**	**6 to 10**
Cash in Investment Balances	$ 769	$ 769	$ -	$ -
External Investment Pool	22,440	22,440	-	-
Investments Held in Trust	4,365	4,365	-	-
Commercial Paper	823	-	302	521
US Treasury Notes	4,337	2,239	1,624	474
Federal Farm Credit Bank	3,862	-	3,862	-
Federal Home Loan Bank	8,651	7,189	1,415	47
Federal Home Loan Mortg Corp	1,955	1,382	100	473
Federal National Mortg Assoc	18,771	16,848	1,824	99
Total Rated Debt Securities	$ 65,973	$ 55,232	$ 9,127	$ 1,614

Concentration of Credit Risk — When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration of risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total government investments are concentrated in any one issuer. AAA rated securities represented sixty-six percent and ninety-nine percent of the portfolio as of June 30, 2007 and June 30, 2006 respectively, mitigating the risk of concentration. Thirty-three percent of the total portfolio (2007A construction funds) is represented by asset backed securities at a fixed rate of 5.038% interest to mature June 1, 2009.

	June 30, 2007 (Dollars in Thousands)		June 30, 2006 (Dollars in Thousands)	
Investment Type	**Fair Value**	**Percentage of Total Investments**	**Fair Value**	**Percentage of Total Investments**
Cash in Investment Balances	$ 663	0.47%	$ 769	1.17%
External Investment Pools	68,993	49.21%	22,440	34.02%
Investments Held in Trust	2,738	1.95%	4,365	6.62%
Commercial Paper	1,100	0.78%	823	1.25%
Mortgage/Asset Backed Securities	46,843	33.41%		
US Treasury Notes	6,116	4.36%	4,337	6.57%
Federal Farm Credit Bank	1,403	1.00%	3,862	5.85%
Federal Home Loan Bank	1,438	1.03%	8,651	13.11%
Federal Home Loan Mortgage Corp	5,525	3.94%	1,955	2.96%
Federal National Mortgage Assoc	5,405	3.85%	18,771	28.45%
Total Investments	$ 140,224	100.00%	$ 65,973	100.00%

The University is subject to policies as defined by the State of Idaho with respect to investments. The University has not adopted a formal policy addressing interest rate and concentration of credit risk.

3. ACCOUNTS RECEIVABLE AND UNBILLED CHARGES, NET

Accounts receivable and unbilled charges refer to the portions due to the University, as of June 30, by various customers, students and constituencies of the University as a result of providing services to said groups.

	2007	2006
Student fees	$ 8,067,123	$ 7,208,375
Auxiliary enterprises and other operating activities	3,184,005	2,798,895
Federal, state, and private grants and contracts	906,687	1,720,700
Unbilled charges	5,317,726	5,336,851
Accounts receivable and unbilled charges	17,475,541	17,064,821
Less allowance for doubtful accounts	(3,155,858)	(2,501,778)
Accounts receivable and unbilled charges, net	$ 14,319,683	$ 14,563,043

4. STUDENT LOANS RECEIVABLE

Student loans made through the Federal Perkins Loan Program (the “Program”) comprise substantially all of the loans receivable at June 30, 2007 and 2006. The Program provides for cancellation of a loan at rates of 10% to 30% per year up to maximum of 100% if the participant complies with certain provisions. The Federal Government reimburses the University for amounts cancelled under these provisions.

Loans receivable from students bear interest at rates ranging from 5% to 10% and are generally repayable in installments to the University over a 5 to 10 year period commencing 6 or 9 months after the date of separation from the University. The University out sources the loan servicing to a third party vendor.

As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal Government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which, in management’s opinion, is sufficient to absorb loans that will ultimately be written off. The allowance for uncollectible loans was $24,450 and $39,625 for fiscal years ending June 30, 2007 and 2006, respectively.

In the event the University should withdraw from the Program or the Federal Government was to cancel the Program, the University would be required to repay $8,209,463 as of June 30, 2007.

5. CAPITAL ASSETS, NET

Following are the changes in capital assets for the years ended June 30, 2007 and 2006 (dollars in thousands):

	2007				
	Balance July 1, 2006	Additions	Transfers	Retirements	Balance June 30, 2007
Capital assets not being depreciated:					
Land	$ 29,716	$ 12,403	$ -	$ (3,504)	$ 38,615
Construction in progress	14,417	29,559	(4,592)	-	39,384
Total assets not being depreciated	44,133	41,962	(4,592)	(3,504)	77,999
Other capital assets:					
Buildings and improvements	267,924	12,316	4,592	(101)	284,731
Furniture and equipment	53,459	5,008	-	(2,416)	56,051
Library materials	30,943	2,022	-	(1,470)	31,495
Total other capital assets	352,326	19,346	4,592	(3,987)	372,277
Less accumulated depreciation:					
Buildings and improvements	(82,664)	(7,249)	-	18	(89,895)
Furniture and equipment	(31,963)	(4,631)	-	2,251	(34,343)
Library materials	(21,230)	(1,824)	-	1,044	(22,010)
Total accumulated depreciation	(135,857)	(13,704)	-	3,313	(146,248)
Other capital assets, net	216,469	5,642	4,592	(674)	226,029
Capital assets summary:					
Capital assets not being depreciated	44,133	41,962	(4,592)	(3,504)	77,999
Other capital assets at cost	352,326	19,346	4,592	(3,987)	372,277
Total cost of capital assets	396,459	61,308	-	(7,491)	450,276
Less accumulated depreciation	(135,857)	(13,704)	-	3,313	(146,248)
Capital assets, net	$ 260,602	$ 47,604	$ -	$ (4,178)	$ 304,028

In addition to accounts payable for construction costs, the estimated cost to complete property authorized or under construction at June 30, 2007 is $92,221,072. These costs will be paid from available reserves and construction proceeds from outstanding debt.

	2006				
	Balance July 1, 2005	Additions	Transfers	Retirements	Balance June 30, 2006
Capital assets not being depreciated:					
Land	$ 23,307	$ 6,476	$ -	$ (67)	$ 29,716
Construction in progress	7,269	21,141	(13,993)	-	14,417
Total assets not being depreciated	30,576	27,617	(13,993)	(67)	44,133
Other capital assets:					
Buildings and improvements	255,472	-	13,881	(1,429)	267,924
Furniture and equipment	53,346	3,639	112	(3,638.0)	53,459
Library materials	29,637	2,669	-	(1,363)	30,943
Total other capital assets	338,455	6,308	13,993	(6,430)	352,326
Less accumulated depreciation:					
Buildings and improvements	(76,165)	(6,731)	-	232	(82,664)
Furniture and equipment	(30,795)	(4,629)	-	3,461	(31,963)
Library materials	(20,378)	(1,813)	-	961	(21,230)
Total accumulated depreciation	(127,338)	(13,173)	-	4,654	(135,857)
Other capital assets, net	211,117	(6,865)	13,993	(1,776)	216,469
Capital assets summary:					
Capital assets not being depreciated	30,576	27,617	(13,993)	(67)	44,133
Other capital assets at cost	338,455	6,308	13,993	(6,430)	352,326
Total cost of capital assets	369,031	33,925	-	(6,497)	396,459
Less accumulated depreciation	(127,338)	(13,173)	-	4,654	(135,857)
Capital assets, net	$ 241,693	$ 20,752	$ -	$ (1,843)	$ 260,602

6. UNEARNED REVENUE

Unearned revenues include amounts received for student fees, prepaid ticket sales, and other amounts received prior to the end of the fiscal year that will be earned in subsequent years. Student fees represent the portion of summer school revenues related to the number of days of instruction in the subsequent fiscal year and prepaid Fall semester fees. Unearned revenue consists of the following at June 30:

	2007	2006
Student fees	$ 2,281,662	$ 2,718,254
Prepaid ticket sales	4,592,935	3,152,420
Other unearned revenue	2,016,275	530,639
Unearned revenue	$ 8,890,872	$ 6,401,313

7. LONG-TERM LIABILITIES

Following are the changes-in-due to state agencies (related to capital projects), notes and bonds payable, capital leases and other liabilities for the fiscal years ended June 30, 2007 and 2006:

	2007 (Dollars in Thousands)				
	Beginning Balance July 1, 2006	Additions	Reductions	Ending Balance June 30, 2007	Amounts due within one year
Long-term debt:					
Revenue bonds payable	$ 125,230	$ 125,075	$ (47,385)	$ 202,920	$ 4,465
Premium on revenue bonds	2,321	1,692	(314)	3,699	-
Notes payable	6,673	3,325	(859)	9,139	890
Capital lease obligations	1,573	100	(339)	1,334	375
Capital lease obligations - component unit	3,422	-	(250)	3,172	255
Total long-term debt	139,219	130,192	(49,147)	220,264	5,985
Other liabilities:					
Due to state agencies	4,019	5,605	(2,742)	6,882	-
Total other liabilities	4,019	5,605	(2,742)	6,882	-
Long-term liabilities	$ 143,238	$ 135,797	$ (51,889)	$ 227,146	$ 5,985

	2006 (Dollars in Thousands)				
	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Amounts due within one year
Long-term debt:					
Revenue bonds payable	$ 128,845	$ -	$ (3,615)	$ 125,230	$ 4,245
Premium on revenue bonds	2,417	-	(96)	2,321	$ -
Notes payable	7,453	-	(780)	6,673	856
Capital lease obligations	1,121	639	(187)	1,573	332
Capital lease obligations - component unit	3,657	-	(235)	3,422	250
Total long-term debt	143,493	639	(4,913)	139,219	5,683
Other liabilities:					
Compensated absences	13	-	(13)	-	4,784
Due to state agencies	2,527	3,845	(2,353)	4,019	-
Total other liabilities	2,540	3,845	(2,366)	4,019	4,784
Long-term liabilities	$ 146,033	$ 4,484	$ (7,279)	$ 143,238	$ 10,467

8. NOTES AND BONDS PAYABLE

The University is required by bonding resolution to establish a Rebate Fund to be held and administered by the University, separate and apart from other funds and accounts of the University. The University shall make deposits into the Rebate Fund of all amounts necessary to make payments of rebatable arbitrage to the United States. There was no arbitrage liability in fiscal years ending June 30, 2007 and 2006. Management believes the University is in compliance with all bond covenants as of June 30, 2007 and 2006.

The University issued $96,365,000 of General Revenue and Refunding Bonds (Series 2007A), $25,860,000 General Revenue Bonds (Series 2007B), and $2,850,000 General Revenue Bonds (Series 2007C) during the period ended June 30, 2007. Proceeds of the 2007A Bond in the amount of $49,665,038 were received by the University for designated projects and costs of issuance and $46,519,281 was deposited in trust to refund portions of the 1998 Student Fee Refunding and Improvement Revenue Bonds, the 2001 Student Building Fee Revenue Bonds, the 2002 Student Union and Housing System Refunding and Improvement Revenue Bonds, and to pay capitalized interest. The aggregate difference in debt service between the refunding debt and refunded debt was $3,223,089 and the net present value of the savings due to refunding was $2,505,846. Proceeds of the 2007B and 2007C Bonds in the amount of $28,280,972 were received by the University for designated projects and costs of issuance. The University deposited $1,220,899 in trust to pay capitalized interest.

Pledged Revenue — As stated in the bond descriptions below, the University has pledged certain revenues as collateral for debt instruments. The pledged revenue amounts and coverage requirements are as follows for the year ended June 30, 2007:

	Series				
	2004A, 2005A, 2007A, 2007B, 2007C	**1998, 2002, 2003**	**1996, 1998, 2001**	**1999**	**Total**
Pledged revenues:					
Student fees	$ 68,503,773	$ 5,479,877	$ 5,712,304	$ 533,940	$ 80,229,894
Rentals	712,991	6,812,239	-	-	7,525,230
Meal plans		2,017,277	-	-	2,017,277
Other	1,474,983	161,442	-	-	1,636,425
Sales & service	31,972,464	1,034,007	-	-	33,006,471
F&A recovery	2,935,344	-	-	-	2,935,344
Investment income	3,511,049	469,938	629,031	53,374	4,663,392
Total pledged revenue	109,110,604	15,974,780	6,341,335	587,314	132,014,033
Less operations and maintenance	(41,046,147)	(9,232,768)	-	-	(50,278,915)
Pledged revenues, net	$ 68,064,457	$ 6,742,012	$ 6,341,335	$ 587,314	$ 81,735,118
Debt service	$ 3,428,570	$ 2,692,027	$ 2,544,669	$ 451,655	$ 9,116,921
Debt service coverage	1985%	250%	249%	130%	897%
Coverage requirement	110%	120%	120%	125%	

Bonds payable, at June 30, 2007 consisted of the following:

Bond Issue:	Original Face Value	Range of Annual Principal Amounts	Range of Semi-Annual Interest Percentages	Maturity Date	Pledged Revenues	Outstanding Balance 2007	Outstanding Balance 2006
	(Dollars in Thousands)						
General Revenue Bonds, Series 2007A	$ 96,365	$145 - $7,880	4.00% - 5.00%	2037	*2*	$ 96,365	$ -
General Revenue Bonds, Series 2007B	$ 25,860	$510 - $1,760	4.00% - 5.00%	2037	*2*	$ 25,860	$ -
General Revenue Bonds, Series 2007C	$ 2,850	$125 - $600	5.21% - 5.21%	2014	*2*	$ 2,850	$ -
Student Union and Housing System Refunding and Improvement Bonds, Series 2002	$ 38,255	$30 - $510	5.00% - 5.375%	2012	*1*	$ 675	$ 36,060
General Revenue Bonds, Series 2004A	$ 31,480	$725 - $2,205	3.00% - 5.00%	2033	*2*	$ 29,780	$ 30,470
General Revenue Bonds, Series 2005A	$ 21,925	$140 - $2,695	3.25% - 5.00%	2034	*2*	$ 21,445	$ 21,865
Student Fee Refunding and Improvement Revenue Bonds, Series 1998	$ 24,060	$375 - $1,285	4.50% - 5.10%	2014	*3*	$ 5,865	$ 14,055
Student Union and Housing System Refunding Bonds, Series 1998	$ 7,860	$365 - $1,170	4.60% - 5.125%	2015	*1*	$ 7,465	$ 7,515
Student Union and Housing System Refunding Revenue Bonds, Series 2003	$ 6,620	$260 - $1,715	3.00% - 5.00%	2017	*1*	$ 5,755	$ 6,010
Student Fee Refunding Revenue Bonds, Series 1996	$ 14,115	$1,300 - $1,365	5.05% - 5.15%	2009	*3*	$ 2,665	$ 3,900
Student Fee Refunding Revenue Bonds, Series 1999	$ 4,480	$280 - $420	4.70% - 5.20%	2017	*3*	$ 3,365	$ 3,635
Student Building Fee Refunding Revenue Bonds, Series 2001	$ 4,455	$195 - $220	4.25% - 4.50%	2011	*3*	$ 830	$ 1,720
Bonds before premium						$ 202,920	$ 125,230
Premium on bonds						3,699	2,321
Total bonds outstanding						$ 206,619	$ 127,551

(1) *pledged net revenues of Student Union and Housing System and certain student fees*
(2) *pledge of student fees, enterprise revenues, and funds and accounts held under Resolution*
(3) *pledge of the net revenues of the Student Building System and certain student fees*

Notes payable, at June 30, 2007 consisted of the following:

Notes Payable:	Original Face Value	Terms	Interest Rate	Maturity Date	Collateralized by	Outstanding Balance 2007	Outstanding Balance 2006
	(Dollars in Thousands)						
2006 Bank note payable	$ 3,381	11 year monthly amortization	4.77%	2016	*1*	$ 3,060	$ 3,303
Line of credit	$ 5,000	8 year quarterly amortization	49% of lender's prime rate	2011	*2*	$ 2,754	$ 3,370
Private note	$ 3,325	Interest Only - Monthly	30 day LIBOR plus 2.35%	2010	*1*	$ 3,325	$ -
Total notes payable						$ 9,139	$ 6,673

(1) *Bronco Athletic Association guarantee, subordinate to bonds*

(2) *Unsecured*

Principal and interest maturities on bonds payable are as follows for the year ending June 30, 2007:

	Bonds Payable 2007		
	Principal	**Interest**	**Total**
2008	$ 4,465,000	$ 10,028,285	$ 14,493,285
2009	5,180,000	9,048,121	14,228,121
2010	5,440,000	8,819,970	14,259,970
2011	4,940,000	8,602,055	13,542,055
2012	5,325,000	8,387,711	13,712,711
2013-2017	31,325,000	37,750,440	69,075,440
2018-2022	37,340,000	29,656,705	66,996,705
2023-2027	29,730,000	22,094,985	51,824,985
2028-2032	35,185,000	15,187,806	50,372,806
2033-2037	43,990,000	6,374,125	50,364,125
Total	$ 202,920,000	$ 155,950,203	$ 358,870,203

At June 30, 2007, debt in the amount of $53,590,000 is considered extinguished through refunding of prior issues by a portion of the current issues. Escrowed funds are held in trust in the amount of $55,161,256 for the payment of maturities on refunded bonds. Neither the debt nor the escrowed assets are reflected in the University's financial statements.

Principal and interest maturities on notes payable are as follows for the year ending June 30, 2007:

	Notes Payable 2007		
	Principal	Interest	Total
2008	$ 890,438	$ 496,744	$ 1,387,182
2009	929,061	457,303	1,386,364
2010	4,294,368	396,444	4,690,812
2011	1,011,431	120,314	1,131,745
2012	369,835	85,906	455,741
2013-2017	1,643,773	188,828	1,832,601
Total	$ 9,138,906	$ 1,745,539	$ 10,884,445

9. CAPITAL LEASE OBLIGATIONS

The University has entered into various capital lease agreements covering buildings and equipment. Assets under capital lease are included in capital assets, net of depreciation. Amortization of assets under capital lease is included in depreciation expense. These amounts are included in capital assets. The University leases a building from the Foundation.

Future minimum lease obligations under these agreements are as follows for the year ending June 30, 2007:

	Capital Leases 2007		
	Building	Equipment	Total
2008	$ 425,696	$ 441,166	$ 866,862
2009	424,901	438,864	863,765
2010	423,014	438,864	861,878
2011	429,899	150,596	580,495
2012	425,796	-	425,796
2013-2017	2,129,556	-	2,129,556
Total minimum obligations	4,258,862	1,469,490	5,728,352
Less interest	(1,087,064)	(135,111)	(1,222,175)
Present value of minimum obligations	$ 3,171,798	$ 1,334,379	$ 4,506,177

Following are the changes in assets under capital lease for the years ended June 30, 2007 and 2006:

	2007 (Dollars in Thousands)			
	Balance July 1, 2006	Additions	Retirements	Balance June 30, 2007
Assets under capital lease				
Buildings and Improvements	$ 6,733	$ -	$ -	$ 6,733
Equipment	2,489	100	-	2,589
Total being amortized	$ 9,222	$ 100	$ -	$ 9,322
Less accumulated amortization:				
Buildings and improvements	$ (2,601)	$ (177)	$ -	$ (2,778)
Equipment	(1,850)	(137)	-	(1,987)
Total accumulated amortization	$ (4,451)	$ (314)	$ -	$ (4,765)
Assets under capital lease, net	$ 4,771	$ (214)	$ -	$ 4,557

	2006 (Dollars in Thousands)			
	Balance July 1, 2005	Additions	Retirements	Balance June 30, 2006
Assets under capital lease				
Buildings and Improvements	$ 6,733	$ -	$ -	$ 6,733
Equipment	1,850	639	-	2,489
Total being amortized	$ 8,583	$ 639	$ -	$ 9,222
Less accumulated amortization:				
Buildings and improvements	$ (2,423)	$ (178)	$ -	$ (2,601)
Equipment	(1,758)	(92)	-	(1,850)
Total accumulated amortization	$ (4,181)	$ (270)	$ -	$ (4,451)
Assets under capital lease, net	$ 4,402	$ 369	$ -	$ 4,771

10. RETIREMENT PLANS AND TERMINATION BENEFITS

Public Employee Retirement System of Idaho — The Public Employee Retirement System of Idaho ("PERSI"), a cost-sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. The benefits and obligations to contribute to the plan were established and may be amended by the Idaho State Legislature. Financial reports for the plan are available from PERSI upon request.

After 60 months of credited service, members become fully vested in retirement benefits earned to date and receive a lifetime benefit at retirement. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2% of the average monthly salary for the highest consecutive 42 months.

Contributions, for the three years ended June 30, are as follows:

PERSI:	**2007**	**2006**	**2005**
University required contribution rate	10.39%	10.39%	10.39%
Percentage of covered payroll for employees	6.23%	6.23%	6.23%
University contributions required and paid	$ 3,036,069	$ 3,154,078	$ 3,052,342

Optional Retirement Plan — Effective July 1, 1990, the Idaho State Legislature authorized the SBOE to establish an Optional Retirement Plan ("ORP"), a defined contribution plan, for faculty and exempt employees. The employee contribution requirement for the ORP is based on a percentage of total payroll. Employer contributions are determined by the State of Idaho. The plan provisions were established by and may be amended by the State of Idaho.

New faculty and exempt employees hired July 1, 1990 or thereafter automatically enroll in the ORP and select their vendor option. Faculty and exempt employees hired before July 1, 1990 had a one-time opportunity to enroll in the ORP. Enrollees in the ORP no longer belong to PERSI. Vendor options include Teachers Insurance and Annuity Association - College Retirement Equities Fund and Variable Annuity Life Insurance Company.

Participants are immediately fully vested in the ORP. Retirement benefits are available either as a lump sum or any portion thereof upon attaining 55 years of age.

Contributions, for the three years ended June 30, are as follows:

ORP:	**2007**	**2006**	**2005**
University contribution	$ 5,059,669	$ 4,599,225	$ 4,049,101
Employee contribution	4,529,497	4,153,486	3,656,676
Total contribution	$ 9,589,166	$ 8,752,711	$ 7,705,777
University contribution rate	7.72%	7.72%	7.72%
Employee contribution rate	6.97%	6.97%	6.97%

As of July 1, 2007 the university contribution rate for the ORP will increase to 9.258%. Although enrollees in the ORP no longer belong to PERSI, the University is required to contribute to PERSI. The contribution rate for fiscal year 2007 is 3.03% of the annual covered payroll. The contribution rate will change as of July 1, 2007 to 1.49%. These annual supplemental payments are required through July 1, 2025. During the years ended June 30, 2007, 2006 and 2005, this supplemental funding payment to PERSI was $1,908,399, $1,801,480, and $1,583,547, respectively. This amount is not included in the regular University PERSI contribution discussed previously.

Postretirement Benefits Other Than Pensions — The University also offers a life insurance plan for retired employees. During the years ended June 30, 2007, 2006 and 2005, the University incurred expenditures totaling $191,357, $175,207, and $147,540, respectively, to purchase life insurance for approximately 276 retired employees. All eligible employees are receiving these benefits. The University accounts for this program on a pay-as-you-go basis; however, the GASB has issued a new accounting standard (GASB Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"*) that will, when adopted, require the University to record this obligation on an actuarially determined basis. An actuarially determined valuation of this obligation would likely be significantly higher than the amount currently accrued.

Termination Benefits — Employees who qualify for retirement under PERSI or ORP are eligible to use 50% of the cash value of their unused sick leave, with limits based on years of service, to continue their medical insurance coverage through the University. This benefit is classified as a termination benefit under GASB Statement No. 16, "*Accounting for Compensated Absences"*. The University partially funds these obligations by depositing 0.65% of employee gross payroll with PERSI, who administers the plan as a cost-sharing, multiple-employer plan. The total contributions for the years ended June 30, 2007, 2006 and 2005 were $608,815, $583,791, and $531,596, respectively.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee Retirement System of Idaho, P.O. Box 83720, Boise, ID 83720-0078.

11. RISK MANAGEMENT

The University participates in the State of Idaho risk management and group insurance programs. Payments are made to the risk management fund based on rates determined by a five year trend of experience modification factors, which are determined by a combination of loss experience, exposure, and asset value covered. Payments made to the group insurance fund are based on actuarial estimates of the amounts needed to pay for negotiated coverage and projected claims experience. Premiums are billed on a calendar year beginning January 1. Premiums are then adjusted as necessary within the first quarter of the subsequent calendar year. The University billed premiums are projected to be $689,030 for calendar year 2007, and were $735,044 and $749,223 for calendar years 2006 and 2005 respectively.

12. COMPONENT UNITS

Boise State University Foundation, Inc — The net assets of the Foundation represent 82% of the combined component unit as presented in the financial statements and, as such, the Foundation has been determined by management to be a major component unit as defined by GASB Statement No. 39. Condensed financial statement data is as follows:

BOISE STATE UNIVERSITY FOUNDATION, INC.

CONDENSED STATEMENTS OF NET ASSETS
JUNE 30, 2007 AND JUNE 30, 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,276,498	$ 3,899,413
Short term investments	-	-
Accounts receivable and other	2,666,114	2,353,572
Total current assets	3,942,612	6,252,985
NONCURRENT ASSETS:		
Restricted cash and cash equivalents	7,615,620	7,499,889
Investments	85,743,352	68,529,417
Capital assets	175,705	8,746,419
Investment in lease	3,171,665	3,451,063
Accounts receivable and other	4,046,886	2,994,964
Total noncurrent assets	100,753,228	91,221,752
TOTAL ASSETS	$ 104,695,840	$ 97,474,737
LIABILITIES		
CURRENT LIABILITIES	$ 866,009	$ 1,153,862
NONCURRENT LIABILITIES:		
Bonds and certificates payable	3,360,000	3,615,000
Amounts held in custody for others	16,900,525	14,432,349
Other	1,447,744	1,221,140
Total noncurrent liabilities	21,708,269	19,268,489
TOTAL LIABILITIES	22,574,278	20,422,351
NET ASSETS:		
Restricted, nonexpendable	42,405,567	39,661,940
Restricted, expendable	32,170,349	32,668,890
Unrestricted	7,545,646	4,721,556
Total net assets	82,121,562	77,052,386
TOTAL LIABILITIES AND NET ASSETS	$ 104,695,840	$ 97,474,737

BOISE STATE UNIVERSITY FOUNDATION, INC.

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED JUNE 30, 2007 AND JUNE 30, 2006

	2007	2006
OPERATING REVENUES:		
Gifts	$ 8,404,245	$ 10,156,975
Miscellaneous income	1,386,192	695,080
Total operating revenues	9,790,437	10,852,055
OPERATING EXPENSES	3,106,915	1,755,674
OPERATING INCOME (LOSS)	6,683,522	9,096,381
NONOPERATING REVENUES (EXPENSES):		
Payments to Boise State University	(12,646,413)	(3,045,981)
Investment income	2,982,219	2,443,910
Change in fair value of investments	7,373,898	2,693,458
Gain on sale of property	771,620	2,551,996
Other	(95,670)	(176,248)
Net nonoperating revenues	(1,614,346)	4,467,135
INCREASE IN NET ASSETS	5,069,176	13,563,516
NET ASSETS—Beginning of year	77,052,386	63,488,870
NET ASSETS—End of year	$ 82,121,562	$ 77,052,386

(a) Cash, Cash Equivalents, and Other Deposits and Investment

The Foundation, through its Board of Directors (the "Board"), appoints an investment committee that determines investment guidelines, sets the spending rules, and engages the investment manager(s) and custodian(s). The Board oversees and approves all investment and asset allocation policies proposed by the Investment Committee. Furthermore, the Board and the Investment Committee acknowledge and understand their fiduciary roles and will always seek to act prudently in the best interests of the Foundation.

The Investment Committee is also to monitor and review the actions of the investment manager(s) and custodian(s), make recommendations on investment policy, and oversee the management of all other assets of the Foundation. The Investment Committee reports regularly to the Board of Directors.

The overall investment policy is to maximize the return on investments within an acceptable range of risks. Appropriate levels of investment risk will be determined by guidelines and influenced by spending rules. The principal of the Endowment should be protected over time with a spending rule set to maintain the purchasing power of returns from the assets. The component units invest in investments that are allowed by State of Idaho law.

Basis of Custodial Credit Risk as of June 30	**2007**	**2006**
Uninsured and uncollateralized	$ 2,031,006	$ 3,409,546

Credit Risk — The risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard and Poor's, and Fitch's.

The ratings, as of June 30, 2007, are presented below using the Moody's scale:

Rating	US Treasury Bonds	Corporate Bonds	Bond Mutual Funds	Fair Value
Aaa	$ 457,849	$ 6,615,599	$ -	$ 7,073,448
Aa1	-	-	20,742,898	20,742,898
Aa2	-	-	4,808	4,808
A1	-	1,000,570	-	1,000,570
A3	-	50,000	2,583	52,583
B1	-	50,042	15,359	65,401
B2	-	50,964	-	50,964
Unrated	-	-	128,057	128,057
Total	$ 457,849	$ 7,767,175	$ 20,893,705	$ 29,118,729

Interest Rate Risk — Investments in debt securities that are fixed for a longer period of time are likely to experience greater variability in their fair values due to future changes in interest rates. Maturities by investment type, as of June 30, 2007, are as follows:

Investment Type	Fair Value	< 1 yr	1-3 yr	3-10 yr	>10 yr
Rated Securities:					
US Treasury Bonds	$ 457,849	$ -	$ -	$ -	$ 457,849
Corporate Bonds	7,767,175	6,993,324	773,851	-	-
Bond Mutual Funds	20,893,705	-	-	20,893,705	-
Total Rated Securities	$ 29,118,729	$ 6,993,324	$ 773,851	$ 20,893,705	$ 457,849

Concentration of Credit Risk — When investments are concentrated in one issuer, this concentration represents heightened risk of potential loss. No specific percentage identifies when concentration of risk is present. The Governmental Accounting Standards Board has adopted a principle that governments should provide note disclosure when five percent of the total government investments are concentrated in any one issuer. Investments in obligations specifically guaranteed by the U.S. government, mutual funds, and other pooled investments are exempt from disclosure. The Foundation has not invested more than five percent of their investments in any one issuer.

(b) Amounts Held in Custody for Others

The Bronco Athletic Association, Inc. (the "Association") transferred assets to the Foundation for investment and management, which are included in amounts held in custody for others. Included in amounts held in custody for others on behalf of the Association are $15,432,832 and $13,400,630 at June 30, 2007 and 2006, respectively.

(c) Donated Services

The University provided staffing and other general office support to the Foundation totaling $1,003,524 and $589,713 in fiscal years ending June 30, 2007 and 2006, respectively. Additionally, volunteers make substantial contributions of time to support the Foundation for which no value is assigned. The value of volunteer services is not reflected in the accompanying financial statements since they are not susceptible to objective measurement or valuation.

Other Component Unit — Contributions, recorded as gifts, received by the University from the Association totaled $8,839,685 and $7,694,178 as of June 30, 2007 and 2006, respectively. Net assets of the Association at June 30, were as follows:

Association		2007		2006
Net assets:				
Restricted by donors, nonexpendable	$	9,502,621	$	8,273,362
Restricted by donors, expendable		6,285,370		6,577,761
Invested in Capital Assets		1,536,783		1,583,521
Unrestricted		68,476		93,427
Total net assets	$	17,393,250	$	16,528,071

13. OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATIONS (DOLLARS IN THOUSANDS):

	2007				
Functional Categories:	**Personnel Cost**	**Services, Supplies and Other**	**Scholarships and Fellowships**	**Depreciation**	**Total**
Instruction	$ 70,702	$ 9,996	$ 767	$ -	$ 81,465
Research	9,062	3,760	225	-	13,047
Public service	6,250	4,962	106	-	11,318
Libraries	3,484	1,267	-	-	4,751
Student services	5,791	1,497	81	-	7,369
Plant operations	5,017	9,636	2	-	14,655
Institutional support	10,155	2,617	6	-	12,778
Academic support	10,606	3,549	86	-	14,241
Auxiliary enterprises	20,969	25,838	3,415	-	50,222
Scholarships	1,087	62	5,876	-	7,025
Depreciation	-	-	-	13,704	13,704
Total operating expenses	$ 143,123	$ 63,184	$ 10,564	$ 13,704	$ 230,575

	2006				
Functional Categories:	**Personnel Cost**	**Services, Supplies and Other**	**Scholarships and Fellowships**	**Depreciation**	**Total**
Instruction	$ 69,711	$ 9,330	$ 780	$ -	$ 79,821
Research	7,622	3,812	273	-	11,707
Public service	5,211	3,811	121	-	9,143
Libraries	3,530	454	-	-	3,984
Student services	5,820	1,430	-	-	7,250
Plant operations	5,044	9,238	-	-	14,282
Institutional support	9,372	1,850	8	-	11,230
Academic support	9,433	2,661	14	-	12,108
Auxiliary enterprises	20,024	24,241	2,867	-	47,132
Scholarships	1,240	87	6,740	-	8,067
Depreciation	-	-	-	13,173	13,173
Total operating expenses	$ 137,007	$ 56,914	$ 10,803	$ 13,173	$ 217,897

14. CONTINGENCIES AND LEGAL MATTERS

Revenue from federal research and service grants includes amounts for the recovery of overhead and other costs allocated to these projects. The University may be required to make refunds of amounts received for overhead and other costs reimbursed as a result of audits by agencies of the Federal Government. University officials are of the opinion that the effect of these refunds, if any, will not have a significant effect on the financial position of the University.

The University is a defendant in litigation arising from the normal course of operations. Based on present knowledge, the University's management believes any ultimate liability in these matters will not materially affect the financial position of the University.

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